

**COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON ENERGY AND RESOURCES**



**OPENING STATEMENT OF
CHAIRMAN DARRELL ISSA**

“Interior Department: A Culture of Managerial Irresponsibility and Lack of Accountability?”

WEDNESDAY, SEPTEMBER 13, 2006

Good afternoon. This is the 4th investigative hearing by this Subcommittee regarding the absence of price thresholds in deepwater leases between the Interior Department’s Minerals Management Service and various oil and natural gas producing companies during 1998 and 1999.

The GAO estimates that the lack of price thresholds will cost the US Government nearly \$10 billion in lost royalty revenue. \$2 billion has already been lost. This estimate does not include the major new discovery announced this past week. Part of this discovery is located in fields leased in 1998 and 1999, and these leases do not have price thresholds. This means that more revenue will be lost.

The Subcommittee has concluded its investigation. It has found that the Interior Department has breached its fiduciary duty to the American people. The Interior Department holds our natural resources in trust for the American people. It squandered billions instead.

In sworn testimony and formal interviews with Subcommittee investigators, Interior Department and MMS personnel have claimed the inclusion of price thresholds was always departmental policy, but their omission in 1998 and 1999 was a case of the “right hand did not know what the left hand was doing.”

This is incorrect. There were certainly officials who participated in or reviewed the actions of the different offices and divisions of the department, but they failed to ensure that the price threshold policy was implemented.

When allegedly presented in 1999 with prima facie evidence – Interior’s own regulations – that the price thresholds were, in fact, missing from the leases and the regulations, MMS officials did nothing to correct it.

This particularly troubles me because Chevron, who testified in detail about their notifying MMS, stood to lose possibly hundreds of millions of dollars by telling the truth. I congratulate them on their integrity in coming forward with this information. MMS officials on the other hand, do not dispute Chevron’s testimony, but instead claim to have no recollection of multiple inquiries into the matter.

Unfortunately, I am left to conclude that there is a new bureaucratic principle that has been identified through this investigation and distinctly applies to the Interior Department and its managers.

It is to define a job so narrowly and limited in scope over time – no matter how senior the position – that the person claims neither responsibility nor accountability for fulfilling their basic duties. The only thing claimed is a paycheck.

I want to make it clear that individuals DO make up institutions and these individuals must be responsible for their actions. However, the Interior Department and MMS are not just comprised of limestone buildings with thousands of individuals going about their own business. There is also an institutional culture and organizational intransigence that exists. This is surely an issue that will be taken up in the hearing tomorrow by the full Government Reform Committee.

Testifying today before the Subcommittee regarding his office’s investigation is Interior Department Inspector General Earl E. Devaney.

He will describe in much greater detail when and why price thresholds disappeared from leases, and what personnel did once the omission was discovered.

While the Subcommittee has brought in many individuals to testify in public hearings, which the IG cannot do, the Office of the Inspector General has more access to the Department and was able to review emails and materials that were not provided to the Committee despite repeated requests.

Mr. Devaney, I welcome you as one of the most respected Inspector Generals in the capital, and I thank you for the hard work of you and your staff on this critical matter. We look forward to hearing the results of your investigation.